



Legislation Text

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Res. No. 243-A

Resolution calling upon the New York State Legislature to pass, and the Governor to sign, S.5256/A.7196, to prohibit the use of a confession of judgment in business loans.

By Council Member Menin, the Public Advocate (Mr. Williams) and Council Members Abreu, Sanchez, Cabán, Louis, Rivera, Velázquez and Lee

Whereas, Many taxi medallions owners in New York City (NYC) have taken out business loans to finance the purchase of their vehicles; and

Whereas, Some of the business loans that medallion owners take out include a document known as a “confession of judgment,” where the borrower waives the right to due process if the debt is unpaid and there is a dispute; and

Whereas, Once signed, a confession of judgment can be used by the lender to obtain a judgment against the borrower without any further notification; and

Whereas, Confessions of judgement enable creditors to legally seize assets of borrowers without a court proceeding, by enabling lenders to claim a debtor failed to meet their payment obligations; and

Whereas, The Federal government currently has prohibitions on the use of confessions of judgment in consumer loans, but not for business loans; and

Whereas, The United States Federal Trade Commission has called for the elimination of confessions of judgment in small business lending contracts; and

Whereas, Many states have also banned confessions of judgment practices for business loans, but New York State (NYS) does not prohibit them; and

Whereas, On August 30, 2019, then-Governor Cuomo signed S.6395/A.7500A, relating to judgements

by confession; and

Whereas, The State bills prohibit out-of-state lenders from entering into confessions of judgement in New York counties against debtors; and

Whereas, Confessions signed by parties that are New York residents at the time of signing remained enforceable; and

Whereas, A confession of judgment can be used by banks and other lending institutions as a document in predatory lending practices, a loophole that should be closed; and

Whereas, A.7196, introduced by NYS Assembly Member Jeffrey Dinowitz, and S.5256, introduced by NYS Senator James Sanders Jr., would prohibit the inclusion of a confession of judgement in a contract or agreement for a financial product or service; and

Whereas, The legislation would apply to lenders and debtors that reside in NYS; and

Whereas, The legislation will protect small businesses from predatory lenders that offer loans and cash advances on the pre-condition the business signs a confession of judgment; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the New York State Legislature to pass, and the Governor to sign, S.5256/A.7196, to prohibit the use of a confession of judgment in business loans.

Session 12

NM

LS #1,981

4/18/2022

Session 11

RA

LS # 9151, 9153, 11030, 11060

Res 1049-2019